How to draw up a resolution plan

A resolution plan details the steps that have to be taken should a bank run into trouble.

Objectives
A resolution plan has three objectives:

- to gain an understanding of how the bank operates and what its critical functions are
- to identify any obstacles to the bank's resolvability and remove these
- to be prepared for resolution

Steps
A resolution plan involves the following six steps:

- **Step 1: Strategic corporate analysis**
    - This step involves a detailed analysis of the bank, e.g. its structure, legal form, financial position, business model, critical functions, internal and external dependencies and critical systems and infrastructures.
- **Step 2: Resolution strategy**
    - The next step is to determine whether the objectives of resolution are best served by letting the bank fail, or by resolving it. In the latter case, this step also includes a detailed description of the resolution strategy and the instruments that will be applied.
- **Step 3: Financial and operational continuity**
    - This step is an assessment of the financial and operational requirements for ensuring the bank's continuity, both during and after resolution. This includes continuation of the bank's payments.
- **Step 4: Information and communication plan**
    - This plan describes all rules and procedures for ensuring that the resolution authority receives all necessary information in good time. It also describes how the process will be communicated internally and externally, before, during and after resolution.
- **Step 5: Conclusion and resolvability assessment**
    - Step 5 is to determine whether there are any further obstacles to the bank's resolution. Once these have been identified, DNB can impose measures on the bank to remove the obstacles. This step also addresses the MREL requirement, should this apply.
- **Step 6: Assessment by the supervisory authority**
    - Depending on the situation, the bank's supervisory authority has six to eight weeks to submit a formal response to the resolution plan. The resolution authority will consider this response and adjust the plan if necessary before formally adopting it.

Full or simplified plan
In principle, a full resolution plan must be drawn up for each bank. However, a simplified obligations plan (SO plan) may suffice in the event that the resolution authority is of the opinion that the bank can be allowed to "simply" fail. A SO plan must have at least the following four components:

- Strategic corporate analysis
- Communications plan
- Obstacles to the application of a regular insolvency procedure and measures to remove these obstacles
- Conclusion of the resolvability assessment

Submitting information
A lot of information is required for drawing up a resolution plan. To prevent banks from having to submit the same information twice, the resolution authority first requests the necessary information from the supervisory authority. The resolution authority can then request any information that is not (yet) available from the supervisory authority directly from the bank. The European Banking Authority (EBA) has developed a set of templates for this purpose. In collaboration with the national resolution authorities (NRAs), the ECB and the EBA, the SRB has also developed other templates, such as the Liability Data Template and the Critical Functions template. Another way of obtaining information from the bank is to organise interactive workshops. There is two-way sharing of data between the supervisory authority and the resolution authority. This will ensure that all authorities have the same information and will prevent double data requests.